PENSION MANAGEMENT OVERSIGHT COMMISSION

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MEETING MINUTES[1]

Meeting Date:	**October 17, 2001**
Meeting Time:	**10:00 A.M.**
Meeting Place:	**State House, 200 W. Washington St., Room 130**
Meeting City:	**Indianapolis, Indiana**
Meeting Number:	**2**

Members Present: **Sen. Joseph Harrison, Chairperson; Sen. Thomas Weatherwax; Sen. Larry Lutz; Rep. Thomas Kromkowski; Rep. Larry Buell; Rep. Richard Mangus; William Gettings, Jr.; Connie Lux.**

Members Absent: **Sen. Allie Craycraft; Rep. Terry Goodin; Claude Davis; Steve Meno.**

The Chair, Senator Harrison, opened the meeting at 10:17 a.m. He introduced the members of the Pension Management Oversight Commission (PMOC) and the staff. Senator Harrison reviewed the agenda and said that item five, Update on the Funds' Status, would be held until the next meeting. Both the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF) would present their annual reports to the PMOC at the next meeting. Senator Harrison called upon Ms. Mary Beth Braitman, outside counsel for both PERF and TRF, to discuss Preliminary Draft (PD) 3328.

1. PD 3328 PERF/TRF Administrative Changes

Ms. Braitman distributed a section by section analysis of PD 3328. Section 1, Ms. Braitman said, adds a new rollover account to the Legislator's Defined Contribution Plan. Section 2 allows PERF and TRF to pool assets with each other and with other funds for investment purposes only. Separate accounting always is required. Section 3 allows a more expansive purchase of additional years - allows members with ten years of PERF/TRF service to purchase

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an additional one year for every five years. Section 4 allows a member who is eligible for a retirement benefit to suspend and take a lump sum distribution of their Annuity Savings Account (ASA) to purchase service in another governmental retirement plan. Section 5 adds a new rollover account to PERF and TRF. It permits PERF and TRF to accept rollovers from permissible retirement savings vehicles (IRAs, 457 plans, 403(b) plans, and other qualified plans).

Ms. Braitman said that these funds would be put into “rollover accounts,” similar but separate from the members’ ASAs. The rollover funds could be invested in the alternative funds that are available for investment of the ASAs. Continuing, Ms. Braitman said that Section 6 allows PERF members to make service purchase rollovers from all permissible sources under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Section 7 allows the TRF Board to maintain dental, vision, and long-term care coverage for the retirees to purchase. Ms. Braitman said that Section 8 is the same as Section 6, only it applies to TRF. Continuing, Ms. Braitman said that Sections 9, 10, 11, and 12 allow existing service purchases to be made using a rollover from all EGTRRA-permitted sources. This section also allows purchase to be made via a direct trustee-to-trustee transfer in situations permitted under EGTRRA. Section 13, the last section of PD 3328, affects the 1977 Police Officers’ and Firefighters’ Fund. It allows units that previously entered to purchase service to get members to retirement by the retirement age now in effect (currently age 52). It also allows the purchase to be made via rollover or direct trustee-to-trustee transfer in situations permitted under EGTRRA.

Senator Harrison announced that the PMOC would vote on PD 3328 at its last meeting. He said that the fiscal note for this proposal will be completed within the next few days and would be mailed to PMOC members. Senator Harrison recognized Mr. Steve Buschmann, representing the Indiana State Police Alliance.

2. State Police Issues

Mr. Buschmann distributed a memorandum and a proposed amendment to the Indiana State Police Disability statute, IC 10-1-2-4. In his memorandum, Mr. Buschmann provided an example of the benefits provided to a fully disabled Indiana State Trooper as compared to benefits the trooper would have received had the trooper not been disabled. Mr. Buschmann told the PMOC that this is not an issue of what the Indiana State Police (ISP) does; it is what the statute allows. The ISP does all that the statute allows at the present time.

Mr. Buschmann discussed the amendment proposed by the State Police Alliance. He said that the proposed amendment does the following:

1) eliminates the Trooper pension contribution.
2) removes the 50% limit on the disability pension amount.

Mr. Buschmann also said that he would like the PMOC to consider raising the dependent amount for line-of-duty disability. In closing, Mr. Buschmann said that the public is asking that troopers run to dangerous situations, so they should be provided for.

Next to address the PMOC was Mr. Charlie Williams, representing the Indiana Troopers Association. In his presentation, Mr. Williams told the PMOC that he is asking for help and that he is working with the Black Troopers Association and the Indiana State Police Alliance to upgrade the situation. He said that during the last four years more troopers have been killed or injured than at any time in the history of the State Police. Mr. Williams then described the situation of Trooper Bruce Johnson, who was severely wounded in a shooting last year. Mr. Williams said that when he was on the State Police Pension Board, the choice was line-of-duty or non-line-of-duty. He said that a legislative change would provide more flexibility. Mr. Williams told of a trooper who had been in a nursing home for seven years and had to come to the General Assembly to ask for help in paying for his nursing home care. Mr. Williams said that the world is a different place since September 11 and that public safety is the first line of defense to terrorism. He said that he was asking the legislature to do what it can to help. He said that he realizes the state's fiscal situation. Mr. Williams closed his comments by saying that he would like to see uniformity.

The Chair next recognized Lt. Steve Hillman of the ISP. Lt. Hillman said that he supports changes that are fiscally sound. He said that the ISP has met several times over the past two years with trooper organizations. Lt. Hillman said that he was in agreement with the specifics he heard today. He said that the ISP has a proposal today that will improve disability benefits without a cost increase and with minor administrative changes. Lt. Hillman distributed four documents to the PMOC. Lt. Hillman asked Capt. Phil Parker, Director of Human Resources for the ISP, to continue the presentation. He said that the ISP proposal would do the following:

> 1) amend IC 20-12-19.5-1 to extend education benefits to totally disabled officers, the same as for officers who are killed.
> 2) exempt disabled employees from pension contributions.
> 3) exempt line-of-duty benefits from the state income tax.

Capt. Parker said that the chart that was distributed assumes a 15% total tax rate. He said that the cost for this would be an increase in annual funding for the ISP of $72,500. Senator Harrison requested a bill draft for this issue for the next meeting.

Senator Harrison called upon Mr. Dick Alfeld, representing the Indiana Coroner's Association.

3. PERF County Coroner Issue

Mr. Alfeld distributed a map showing which counties have coroners in PERF. He said that currently about ½ of the counties are in PERF and ½ are not in PERF. He said that county coroners are elected officials, with salaries ranging from about $2,200 per year to a high of almost $74,000. Mr. Alfeld said that he is trying to standardize the treatment of county coroners. The staff distributed a memorandum which showed the estimated cost of including the 51 county coroners who are not now in PERF. The increase in unfunded liabilities is estimated at $1.1 million, with an increase in statewide annual funding of $147,000.

The Chair recognized Nancy Vaidik, Judge of the Indiana Court of Appeals and Vice President of the Indiana Judge's Association.

4. Judges' Retirement Issues

Judge Vaidik said that she would like to have HB 1285 of the 2001 session introduced during the 2002 session. Judge Vaidik said that HB 1285 provides that a full-time magistrate serving on July 1, 2001, may make an election to become a member of the Judges' 1985 Benefit System. It also provides that a person who begins serving as a full-time magistrate after July 1, 2001, shall be a participant in the Judges' 1985 Benefit System, effective January 1, 2002. It allows full-time magistrates who are participants in the 1985 Judges' Benefit System to purchase service credit at full actuarial cost for prior service as a full-time commissioner, magistrate, or referee, or for prior service in PERF-covered positions other than full-time commissioner, magistrate, or referee. She continued by saying that HB 1285 also requires the monthly benefits payable to participants, survivors, and beneficiaries under the 1985 Benefit System of the Judges' Retirement Fund to be increased by the same percentages and under the same conditions as monthly benefits are increased for members of PERF. The staff distributed a copy of HB 1285, along with the fiscal note. Judge Vaidik requested that the components be split into two bills for the 2002 session. Judge Vaidik then asked Mr. Tom Felts, a magistrate in Ft. Wayne, to comment on the duties of magistrates.

Mr. Felts told the PMOC that he has served 12 years as a magistrate and that magistrates serve at the pleasure of the judge. Mr. Felts said that there are 66 full-time magistrates in the state. Mr. Felts stated that they handle all kinds of cases and that magistrates view their positions as career moves and not stepping-stones to a judgeship.

Senator Harrison called upon Ms. Braitman to discuss Deferred Retirement Option Plans.

5. Deferred Retirement Option Plan (DROP)

Ms. Braitman distributed a document explaining DROPs as it relates to the Municipal Police and Fire Funds. She said that an employee eligible to retire and immediately begin drawing benefits may enter the DROP. She said that the deposits into the DROP account will be calculated based on the retirement benefit due at the beginning of the DROP period. The employee will continue employment in his/her current status for the DROP period. During this time, the DROP benefit will be accrued. Ms. Braitman said that at the end of the DROP period, the employee must terminate employment. At that time, the DROP benefit will be paid to the employee who will then also begin drawing a monthly pension.

Ms. Bratiman continued by saying that the DROP would be instituted for a period ending December 31, 2007. Employees would have to exit DROP by no later than January 1, 2005. This would tie the DROP to the 50% guarantee from the Pension Relief account for Old Fund members and convertees.

Ms. Braitman said that the DROP period is for not more than 36 months and that an employee may make only one DROP during his/her lifetime. The period may not extend past mandatory retirement age (if one exists in that city or town).

She said that the DROP accrual will not be calculated during the DROP period for any reason, Ms. Braitman said.

In addition, when the fund member exits the DROP and retires, the member’s monthly benefit will be calculated using additional years of service while in DROP (up to 32 years). The amounts deposited into the DROP could be paid out, at the member’s election, as a monthly benefit, lump sum, or installment payments (or a combination thereof).

Ms. Braitman said that employees will continue to make the 6% pension contribution while in the DROP (regardless of the fund in which the member participates). Employers will make the 21% contribution for the 1997 Fund members while in DROP.

Ms. Braitman said that for non-line-of-duty death, future DROP accruals stop on the date of death. For line-of-duty death, future accruals stop on the date of death, and the survivor benefits will be calculated on the date of death.

The employee’s disability benefit will be calculated as of the disability date. Because of the qualified status of the police and fire funds, the employee will not be taxed on the DROP benefit until payment.

Ms. Braitman said that for enrollment, an employee must submit an irrevocable election to participate in the DROP, specifying the benefit calculation date, which must be the first day of the employee’s DROP period. In addition, there must be an irrevocable notice of retirement date, which must be the last day of the employee’s DROP period.

Senator Harrison recognized several individuals who spoke on the DROP. Mr. Tom Miller, President of the Indiana Professional Firefighters Union of Indiana, said that DROPs have been around for about ten years, but they are increasing in popularity. He supports the concept as presented by Ms. Braitman. He added that it give cities and towns time to prepare for retirement of their public safety employees. Mr. Matt Brasse, Indiana Association of Cities and Towns (IACT), said that IACT has been educating its members regarding DROPs. He said that mayors view this as a win-win situation. Mr. Doug Todd, actuary for the police and fire funds, distributed a spread sheet of projected benefits under DROP, assuming no change in retirement patterns.

Senator Harrison asked Ms. Braitman to distribute a document addressing the Uniformed Services Employment and Reemployment Rights Act (USERRA). Senator requested that this be made part of the final report.

Senator Harrison said that the final meeting will be on October 29, at 1:30 p.m. in Room 233. He adjourned the meeting at 11:40 a.m.